

Rural Tourism Marketing

Chapter One - Why Tourism?

Tourists come in all shapes and sizes and from everywhere around the world. They come from Barstow, Boston and Bulgaria. They stay for five minutes or six weeks. They stay in four-star hotels or ten minutes out of town in a tent. They eat at the best restaurants and tip like Hollywood stars or they buy their meals at the grocery store and eat them in the park.

But the one thing they have in common is that they positively impact the local economy along their way. This book is primarily about how to increase that impact on your community.

Why Tourism and Not a Factory?

In the beginning, most communities should ask themselves “Why develop tourism as an economic driver rather than building a steel manufacturing plant?” Well, for some communities a steel factory would be just fine. But for others, there would be resistance from many in the community over issues like pollution, waste disposal, infrastructure needs (like rail lines, etc.) and the appearance of the steel plant itself.

With tourism, communities can develop their economies with very minimal impact on the environment or the overall quality of life in the community. Certainly, more people mean more traffic and longer waits at your favorite restaurants, but generally, tourism is one of the cleanest, easiest and least intrusive forms of economic development for any community.

Tourists come to your community to see what is there...the natural beauty that surrounds you. Or they come for cultural enrichment. Or for sporting or recreational reasons. All of these things that bring tourists to a community generally enhance the quality of life for residents as well. The reason you moved to a community may be closely tied to the reasons tourist would, or will, visit.

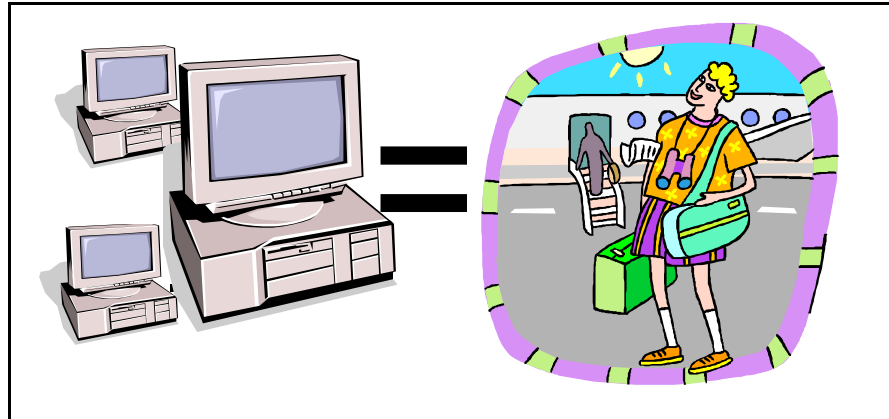
Show Me the Money!

Let's talk about the economic impact of tourism.

Here in California, travel expenditures totaled \$75.4 billion in 2000, the most recent year for which figures are available. That's a lot of money, **nearly as much as the state's**

agricultural industry! The tourist industry is responsible for 1,109,000 jobs in the state, with a payroll of \$24.8 billion.

One international visitor to California has the same impact on the economy as exporting three California-made computers to that traveler's country.



Tourists generate money for your community in many ways. They spend money directly on goods and services such as gasoline, food and lodging. They pay taxes on those goods and services in the form of sales tax and transient occupancy tax (more on that later) and the money they spend is in turn spent again for salaries, supplies, etc.

When a tourist buys souvenirs in a retail store, depending on the county they are in at the time, they pay about \$7.25 tax on every hundred dollars they spend. Approximately one dollar of that goes to the local government, while the rest of the money goes to the state. That's great and it helps to pay for highways, education and other state services.

However, local governments have found a way to get an even bigger slice of the tourism pie through "transient occupancy taxes" (also called T.O.T. for short). These taxes are placed by cities and counties on hotel and motel rooms, RV spaces and other transient lodging facilities, and range anywhere between 5 and 15 percent on top of the total expenditure. The best thing about these taxes for your community is that they stay entirely with the local taxing agency, and can be spent to improve the quality of life for local residents as well as to offset the impact on local services caused by tourists.

Therefore, lodging tax (T.O.T.) can be a very lucrative source of funds for local governments, and are a great motivation for their support of your tourism marketing efforts. Some communities in California get a very large portion of their operating budgets, perhaps 33

to 50 percent or more, from transient occupancy taxes alone. These are communities that are very dependent on tourism, and have usually worked quite hard to develop their tourist industries.

A Dollar Changes Hands More than Once

But tourism generates not only direct revenue from the pockets of tourists, and the taxes on that spending, but also those dollars turn over within the community. For example, if a tourist spends \$100 for a night in a hotel, perhaps \$50 of that money would go toward the salaries of the hotel staff who helped make their stay a pleasant one. If enough people stayed in the hotel, they might even be able to add another person to the housekeeping staff to accommodate the increased demand. A new job is created! This is direct impact.

In addition, part of that money might go to a local carpet company for new carpet in the hallways and guestrooms. The carpet company would have to buy the carpet from a wholesaler and perhaps hire an additional installer or two. This is referred to as “indirect economic impact.” (If the wholesale carpet had to be purchased from outside the area, we would only be able to count the installer’s salaries as indirect community impact.)

When the carpet installer buys a gallon of milk on the way home (with money from the hotel job) this is called “induced impact.”



We use “multipliers” to determine the overall, total impact of visitor dollars in ways such as those described above. That means we “multiply” the actual dollars spent, by a figure that represents the estimated amount of additional spending that dollar represents.

For the typical county in California, it is estimated that the multiplier will fall in the range of 1.5 to 2.5 and for the state as a whole, about 2 to 3 times the direct dollars spent. Don’t attempt to use multipliers much higher than that, or your credibility with public officials will suffer. Generally, bigger communities can use the higher multiplier figures, as more of the goods and services used to support the tourist industry can be purchased locally.

The Division of Tourism produces numerous publications that can help you determine the economic impact of tourism in your community, and already has that information broken out on a county-by-county basis. You might be able to easily extrapolate your community impact from the county figures.

Why Should I Care?

Why is this important? Without getting political, tourism promotion is often funded by local and county governments who believe in the importance of this industry to their area economy. The better equipped you are to show the current and projected economic impact of tourism on your community, the more likely you are to convince local government officials that investing in tourism promotion is a sound idea.



So you see, tourism is "big bucks" here in Smallville!

It is also important to be able to communicate with the public at large. While they might see tourism as only bringing crowds and traffic, you will be able to show that the economic impact of tourism, directly and indirectly, is of benefit to nearly everyone. Transient occupancy taxes are often used to improve police and fire services, build parks and improve streets. These improvements benefit local residents as much, or likely more than visitors.

An Exercise in Developing Economic Impact Figures For Your Own Community

It may seem intimidating, but it is actually pretty easy to come up with a fairly accurate approximation of the economic impact of tourism on your community or region of interest.

Every year Dean Runyan Associates of Portland, Oregon prepares a report called *California Travel Impacts by County*, in which travel spending by category and in total is broken down for every county in the state. Although these reports are released every March for the year prior to the previous year (1999 statistics released in 2001, for example), it is still the best and most current source available for this type of material. The report is available from California Tourism in Sacramento, or it can be ordered from their website at www.visitcalifornia.com.

Using the information in the report, here is how we determined the economic impact of tourism spending on Los Banos, in Merced County:



1. The study reports transient occupancy tax collected city-by-city for Merced County. By totaling all the cities plus the unincorporated area, we determine that the total T.O.T. revenue for the county was \$1,053,160.
2. According to the report, Los Banos collected \$113,136 in T.O.T. for that period, which is 10.74 percent of the total collected for the county. ($\$113,136 / \$1,053,160 \times 100 = 10.74$ percent).
3. Using that 10.74 percent figure and the statistics found in the same report for total travel expenditures for Merced County, we can determine total travel spending for Los Banos as a percentage of the entire county. In other words, if we take total travel spending for Merced County (\$390,900,000) and then figure 10.74 percent of that, we determine that \$41,982,660 (!) represents travel spending in Los Banos. The same calculation can be done for the payroll, jobs and other statistics found in this very useful report.

You can use some or all of the following resources to create economic impact figures for your local community or region:

- **California Visitor Impact Model**. A Step-by-Step Set of Procedures and Clear Guidelines for Determining the Size, Nature and Economic Impact of a Community's Visitor Industry. Available from the California Technology, Trade and Commerce Agency, Division of Tourism.
- **California Travel Impacts by County**. Available from the California Technology, Trade and Commerce Agency, Division of Tourism.
- **United States Travel and Tourism: A New Economic Perspective**. WTTC (212) 534-0300.
- **National Tour Association/IACVB Impact Study**. A study on the economic impact of tour groups. National Tour Association, (800) 682-8886.